

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE NORTH HOPKINS)	
WATER DISTRICT, OF HOPKINS COUNTY,)	
KENTUCKY, FOR APPROVAL OF CONSTRUCTION,)	CASE NO. 9833
FINANCING, AND INCREASED WATER RATES)	

O R D E R

On January 8, 1987, North Hopkins Water District ("North Hopkins") filed an application requesting approval of a construction project, financing of the construction project, and an increase in rates. KRS 278.190(3) requires the Commission to decide a rate case within 10 months from the date of filing. North Hopkins' bid opening is scheduled for November 12, 1987. Due to the 10-month limitation expiring November 8, 1987, the Commission will not have sufficient information to render a final decision concerning the construction, financing, and required rate increase.

As of the date of this Order neither North Hopkins nor the Commission's staff has sought a hearing and all requested information has been filed.

On February 11, 1987, the Commission staff conducted a field review of North Hopkin's test period financial records and issued its report on May 12, 1987, containing the staff's recommendations. In its report, the staff recommended that North Hopkins be granted an additional \$86,838 in operating revenues from rates based upon the inclusion of costs associated with the

proposed construction project. However, the staff has reevaluated North Hopkins' revenue requirement based upon the exclusion of the proposed construction and, therefore, has revised the additional revenue requirement to be \$4,530.¹

The Commission is of the opinion that considering the record in this case, a decision regarding the proposed construction and plan of financing cannot be rendered at this time. After careful review and investigation of the staff's initial and revised recommendations, the Commission affirms the staff's revised recommended increase of \$4,530. This should allow North Hopkins adequate cash flow to meet its obligations and provide for future equity growth. The Commission advises North Hopkins that upon filing for Commission approval of its proposed construction and financing, it should seek the required additional revenues.

RATE DESIGN

A review of the billing analysis indicates that certain large meter customers were charged less than the minimum charges ordered

¹	1982	Bonds Interest & Principal	\$13,390	
		DSC	<u>X 1.2</u>	\$16,068
		Operating Expenses Less		
		Costs due to Construction		<u>49,174</u>
		Required Revenue		65,242
		Test Period Adjusted Revenue		
		(Includes \$830 of Other Revenue)		<55,477>
		Interest Income		<u>< 5,235></u>
		Revised Additional Revenue		
		Requirement		<u>\$ 4,530</u>

in the last rate case, Case No. 8500.² The amounts of underbilling for the test year are as follows:

Green River Coal	\$ 127.50
Anton School	144.72
Agrico	360.20
Island Creek Coal	2,247.00
Airport	159.70
Total	<u>\$3,039.12</u>

The Commission is of the opinion that the minimum usage and charges are excessive and should be adjusted. The adjusted rates are as shown:

Present Minimum Rates

<u>Meter Size</u>	<u>Minimum Usage</u>	<u>Minimum Charge</u>
5/8 inch	2,000 gallons	\$ 9.00
3/4 inch	3,000 gallons	19.00
1 inch	5,000 gallons	32.00
1 1/2 inch	10,000 gallons	112.00
2 inch	15,000 gallons	212.00

Adjusted Minimum Rates

<u>Meter Size</u>	<u>Minimum Usage</u>	<u>Minimum Charge</u>
5/8 inch	2,000 gallons	\$ 9.75
3/4 inch	3,000 gallons	13.45
1 inch	5,000 gallons	20.50
1 1/2 inch	10,000 gallons	35.30
2 inch	15,000 gallons	46.05

North Hopkins has proposed a change in rate design which will reallocate usage among the five rate steps. The Commission concurs with the utility in this change of rate design in that it will simplify billing procedure and give the customer a more clear understanding of charges.

² The Application of The North Hopkins Water District for Construction, Financing and Rates, September 16, 1982.

FINDINGS

1. The rates and charges proposed by North Hopkins would produce revenues in excess of those found reasonable herein and should be denied.

2. The rates and charges in Appendix A are the fair, just, and reasonable rates and charges to be charged by North Hopkins in that they should produce annual revenues from rates of \$59,177.

3. Within 30 days of the date of this Order, North Hopkins should file with this Commission its revised tariff sheets setting out the rates approved herein.

4. North Hopkins should file a motion to reopen this case and seek a Commission Order based on facts already in the record.

IT IS THEREFORE ORDERED that:

1. The rates and charges requested by North Hopkins be and they are hereby denied.

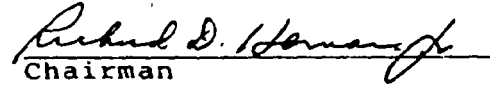
2. The rates and charges in Appendix A are the fair, just, and reasonable rates and charges to be charged by North Hopkins for service rendered on and after the date of this Order.

3. Within 30 days of the date of this Order, North Hopkins shall file with this Commission its revised tariff setting out the rates approved herein.

4. North Hopkins' application regarding the proposed construction and financing is hereby dismissed without prejudice.

Done at Frankfort, Kentucky, this 6th day of November, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 9833 DATED 11/6/87

The following rates and charges are prescribed for the customers in the area served by North Hopkins Water District. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

Monthly Rates

First 2,000 gallons	\$9.75 Minimum Bill
Next 2,000 gallons	3.70 per 1,000 gallons
Next 3,000 gallons	3.35 per 1,000 gallons
Next 3,000 gallons	2.70 per 1,000 gallons
Over 10,000 gallons	2.15 per 1,000 gallons

Monthly Minimum Rates

<u>Meter Size</u>	<u>Minimum Usage</u>	<u>Minimum Charge</u>
5/8 inch	2,000 gallon	\$ 9.75
3/4 inch	3,000 gallon	13.45
1 inch	5,000 gallon	20.50
1 1/2 inch	10,000 gallon	35.30
2 inch	15,000 gallon	46.05